

MINUTE ITEM

16. REQUEST FOR APPROVAL OF PROPOSED AMENDMENT TO CRUDE OIL SALES CONTRACT, PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", WILMINGTON OIL FIELD - L.B.W.O. 10,141.

In presenting Calendar Item 29 attached, the Executive Officer asked that the staff recommendation be corrected by the deletion of items (2) and (3), as these requirements were met subsequent to the preparation of the calendar item.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED APPROVING THE PROPOSED AMENDMENT SUBMITTED BY THE CITY OF LONG BEACH TO ITS EXISTING CRUDE OIL SALES CONTRACT, PROVIDING FOR THE SALE TO SIGNAL OIL AND GAS COMPANY OF ALL OIL PRODUCED AND SAVED, OR THE CITY'S ALLOCATED SHARE OF OIL PRODUCED AND SAVED, FROM PARCELS "W", "X", "Y", "Z", "Z-1", AND "J", WILMINGTON OIL FIELD, SUBJECT TO RECEIPT OF A LETTER OF APPROVAL OF THE AGREEMENT FROM THE SIGNAL OIL AND GAS COMPANY.

Attachment

Calendar Item 29 (2 pages)

CALENDAR ITEM

29.

REQUEST FOR APPROVAL OF PROPOSED AMENDMENT TO CRUDE OIL SALES CONTRACT, PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", WILMINGTON OIL FIELD - L.B.W.O. 10,141.

The City of Long Beach, on December 28, 1960, submitted a proposed amendment to an existing crude oil sales contract for approval by the State Lands Commission covering the sale by the City of Long Beach of oil produced from Parcels "W", "X", "Y", "Z", "Z-1" and "J", Wilmington Oil Field.

The existing contracts between the City of Long Beach and the Signal Oil and Gas Company, and the City, and the Hancock Oil Company provide for the sale of crude oil produced from the specified lands. Under future unit operations, all oil produced from the lands included in a unit will be accounted for under the unit agreement. From the unit, the City will receive oil allocated to these lands representing the City's share of the unitized production pursuant to the term of any unit agreement whether or not produced from subject lands. Therefore the existing crude oil sales contract must be altered so that the buyer will be obligated to take allocated oil in addition to produced oil where City tidelands have been committed to a unit.

In addition, Hancock Oil Company has been merged with Signal Oil and Gas Company. Therefore, the two existent contracts, the first whereby Signal was obligated to take two-thirds and the second whereby Hancock was obligated to take one-third of the oil, will be merged by the proposed amendment so that Signal will be obligated to take all oil produced or allocated to the subject properties. Signal's performance bond will be increased so that it will be equal in amount to the sum of the existent Signal and Hancock bonds.

Proposed contracts such as these must be filed with the Long Beach City Clerk at least thirty days prior to their effective date. The City needs the proposed amendment so that when allocated production from Fault Block II and Fault Block III is received, sometime after March 1, 1961, the sale of such oil will have been covered.

The office of the City Attorney has reported that the following will be submitted: (1) A letter from Signal Oil and Gas Company approving the amendment, (2) a copy of the directive by the Harbor Department for execution of the amendment on behalf of the City, and (3) notice of favorable action by the City Council.

The office of the Attorney General has reviewed the proposed amendment to the crude oil sales contract and has advised that legally it is unobjectionable, and that the Commission, in its discretion, properly may give advance approval to such amendatory agreement, pursuant to the provisions of Section 10(b), Chapter 29, Statutes of 1956, 1st E.S.

CALENDAR ITEM 29. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE PROPOSED AMENDMENT SUBMITTED BY THE CITY OF LONG BEACH TO ITS EXISTING CRUDE OIL SALES CONTRACT, PROVIDING FOR THE SALE TO SIGNAL OIL AND GAS COMPANY OF ALL OIL PRODUCED AND SAVED, OR THE CITY'S ALLOCATED SHARE OF OIL PRODUCED AND SAVED, FROM PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", WILMINGTON OIL FIELD, SUBJECT TO (1) RECEIPT OF A LETTER OF APPROVAL OF THE AGREEMENT FROM THE SIGNAL OIL AND GAS COMPANY, (2) APPROVAL OF THE CONTRACT AMENDMENT BY THE HARBOR DEPARTMENT, AND (3) APPROVAL OF THE CONTRACT AMENDMENT BY THE LONG BEACH CITY COUNCIL.